

## SETTLEMENT AGREEMENT

### RECITALS

This Settlement Agreement is made and entered into between the U.S. Department of Housing and Urban Development ("HUD" or "Department") and

- a. Land Settlement Services, Inc.;
- b. Land Settlement Services, LLC;
- c. Steven Hanford, both individually and in his capacity as part owner and Manager of Land Settlement Services, LLC and part owner and Executive Secretary of Land Settlement Services, Inc.;
- d. John Loehr, both individually and in his capacity as part owner and President of Land Settlement Services, Inc. and Manager of Land Settlement Services, LLC. (Collectively "Respondents")

Whereas, Section 8(a) of RESPA, 12 U.S.C. § 2607(a), prohibits the giving and receiving of any kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person;

Whereas, 24 CFR § 3500.14 sets forth the implementing regulations for RESPA Section 8(a), and 24 CFR § 3500.15 sets forth requirements for affiliated business arrangements;

Whereas, HUD's Statement of Policy 1996-2 sets forth the factors that the Department considers in determining whether an affiliated business arrangement complies with RESPA;

Whereas, the Department has completed an investigation into Respondents' business practices as providers of title services;

Whereas, Respondents have cooperated with HUD's investigation;

Whereas, the Department has determined that the Respondents have engaged in activities that constitute a sham business arrangement in violation of the anti-kickback provisions of Section 8(a) of RESPA as evidenced by the following findings: Land Settlement Services, Inc. ("Land, Inc.") has total managerial authority over the operations of Land, LLC. Land, Inc. and Land, LLC share the same office space and business equipment; Land, LLC has no employees on its payroll, does not have its own office space, telephone number, facsimile number, or email address, and does not have an official lease agreement or sublet agreement with Land, Inc. The initial capitalization of Land Settlement Services, LLC ("Land, LLC") was insufficient. Land, LLC does not perform any core title services or any other substantive real estate settlement service, but outsources all of its work exclusively to Land, Inc. Land, Inc. performs, arranges,

prepares, and conducts all settlements on behalf of Land, LLC, and issues the title policies and records documents for Land, LLC's underwriter. Land, LLC has an exclusive, non-competitive arrangement with Land, Inc. and does not actively compete for business in the marketplace;

Whereas, the Respondents do not agree with HUD's determinations;

Whereas, this Settlement Agreement shall not constitute an admission of liability or fault on the part of Respondents;

Whereas, the parties to this Settlement Agreement now desire to avoid further expense and proceedings and to settle this matter under the terms and conditions set forth below; and

Whereas, the terms set forth in this Settlement Agreement are an appropriate disposition of this matter and in the public interest.

### AGREEMENTS


NOW THEREFORE, in consideration of the mutual promises and representations set forth herein, and in further consideration for HUD's reliance upon the substantial accuracy and good faith of the representations and submissions made to it by Respondents, the parties, intending to be legally bound, agree as follows:

1. The foregoing recitals are incorporated in this Agreement.
2. Respondents agree to comply with all provisions of RESPA, its implementing regulations, and related HUD policy statements.
3. Respondents agree to immediately terminate the operations of Land Settlement Services, LLC.
4. Respondents intend to create a new entity to be called Fourth Street Abstract Title Company, LLC.
5. At all times in the future, Fourth Street Abstract Title Company, LLC ("Fourth Street") will be operated in accordance with the following terms:
  - a. Fourth Street, through its own employees, will provide "core title services" as that term is defined in HUD Policy Statement 1996-4.
  - b. Fourth Street will manage its own business affairs through its own employees who will be appropriately compensated for management services provided to the company. It will not be managed or controlled by any other entity or person.

- c. Fourth Street will have an office for its use in conducting business that is separate and apart from that of any business partner or other settlement service provider, and will pay all related costs.
  - d. Fourth Street will have at least 1 full-time employee that is not shared with another entity, and will compensate that employee from its own funds.
  - e. Fourth Street will acquire and maintain, its own office equipment, computer, office supplies, and other items necessary to provide core title services, and will pay all related expenses.
  - f. Fourth Street will pay its own operating expenses, including but not limited to, the costs of the copies it makes on copiers that are not directly owned by the company.
  - g. Fourth Street will establish and pay the cost of a telephone number and email address in its own name.
  - h. Fourth Street will maintain its own bank accounts and tax identification number.
  - i. Fourth Street will have sufficient initial and operating capital and net worth to conduct the settlement service business for which it was created.
  - j. Each owner and/or investor in Fourth Street will receive returns based solely on their percentage of ownership interest.
  - k. Fourth Street will actively compete in the marketplace for title insurance business, and will receive at least 40% of its gross revenues from referrals received from parties other than the real estate brokers or agents, mortgage brokers, or other settlement service providers with which it has an affiliate relationship.
  - l. Fourth Street will refrain from business practices that provide to it a fee, kickback, or other thing of value in return for the referral of settlement service business.
  - m. Fourth Street will ensure there is full disclosure to borrowers of all affiliated business relationships, as required by applicable statute and regulation.
6. Within forty-five (45) business days of the effective date of this Agreement, the Respondents will remit Fifteen thousand dollars (\$15,000) to the United States Treasury.

7. Respondents agree to cooperate with any further HUD investigations of real estate settlement service providers.
8. Semiannually, for three years after the Effective Date of this Agreement, Respondents Fourth Street and Land Settlement Services, Inc. will each submit to the Department a copy of its profit and loss statements, partnership tax statements, and other requested financial and tax documents for Fourth Street Abstract Company, LLC and Land Settlement Services, Inc. At the same time, Respondents will also submit to the Department copies of the IRS Form K-1 partnership statements for each and every investor in Fourth Street or Land Settlement Services, Inc. With the submission of such documentation to the Department, Respondents Fourth Street and Land Settlement Services, Inc. will provide a statement certifying that they are operating in compliance with the terms of this Agreement.
9. HUD agrees to take no further action against Respondents for violations of RESPA based on the facts as set forth in this Agreement.
10. Should Respondents, or any one of them, fail to comply with the terms set out above, or should any of their representations prove to be false or incomplete in any material manner, HUD may take appropriate enforcement action, and/or refer the matter to other governmental authorities for further action.
11. It is understood and agreed that, except as otherwise stated herein, this Settlement Agreement expresses the complete settlement of Respondents' liabilities in connection with HUD's investigation upon which this Agreement is based.
12. Each party shall bear its own costs and attorney's fees.
13. This Settlement Agreement applies to and binds each of the persons or entities identified in the first paragraph of this Agreement, and their respective predecessors, successors, directors, officers, employees, agents, representatives and assigns.
14. The "Effective Date" of this Agreement means the date on which it has been signed by all the Parties hereto.
15. This Agreement will be deemed effective as to all signatories, whether executed in whole or in counterparts.
16. Each signatory to this Agreement certifies by signing that he or she is fully authorized, in his or her own capacity, or by the named party he or she represents, to accept the terms and provisions of this Settlement Agreement in their entirety, and agrees, in his or her personal or representational capacity, to be bound by the terms of this Agreement.

Land Settlement Inc.

By:   
President

3/8/04  
Date

Land Settlement Services, LLC

By:   
Manager

3/8/04  
Date

Principals

  
Steven Hanford, Esq.

3/8/04  
Date

  
John Lehr

3/8/04  
Date

U.S. Department of Housing and Urban Development:

By:   
John C. Weicher  
Assistant Secretary for Housing-Federal  
Housing Commissioner

3/17/04  
Date